



**MERCATUS CENTER**  
George Mason University

# North Carolina's Certificate of Need

**Three Numbers Everyone Should Know**

**Matthew Mitchell, PhD**  
**Mercatus Center at George Mason University**



Not a quality screen  
Designed to assess need  
Unusual in a market economy  
Restricts supply  
Anticompetitive

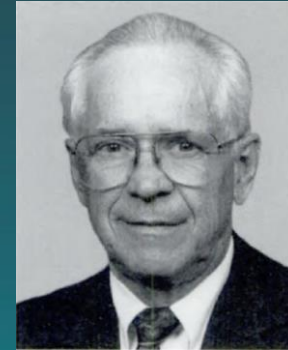
# A History Lesson



1974: National Health Planning and Resources Development Act (NHPRDA)

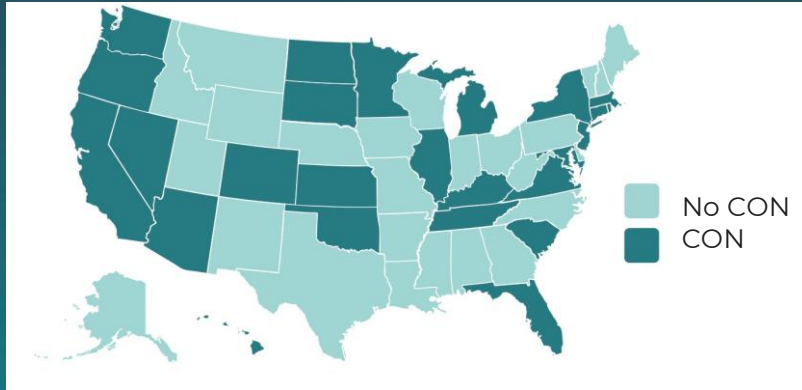


1986: NHPRDA repealed



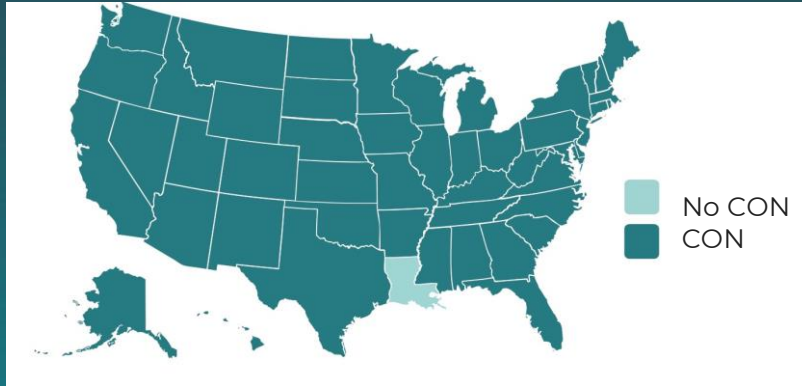
1988: Rep. Roy Rowland (D-GA): "It's time to abolish it throughout the nation."

1974



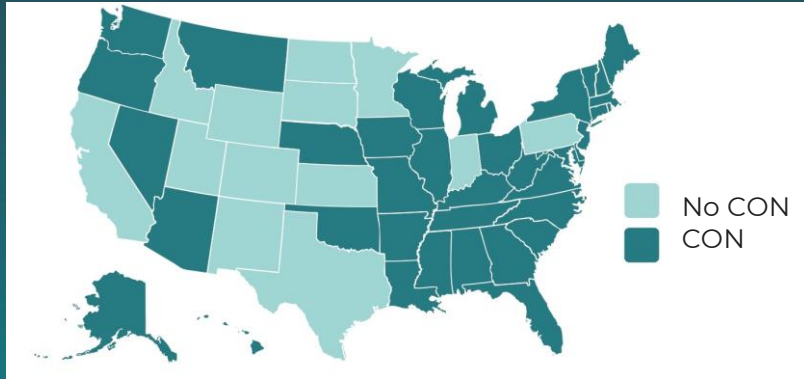
The Federal mandate came and went, and CON programs varied over time.

# 1980



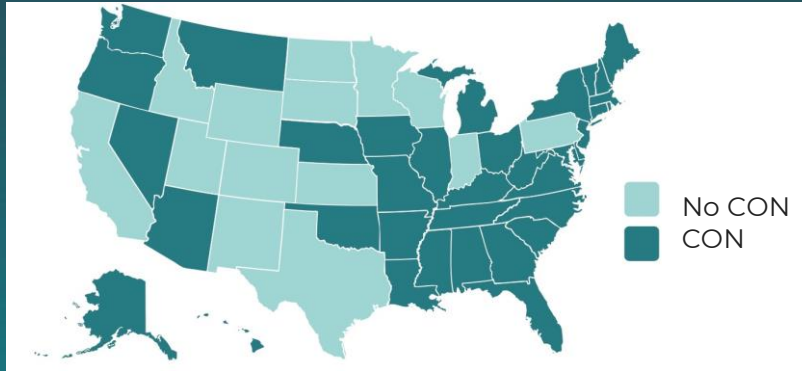
As the Federal mandate came and went, there has been quite a bit of variation in CON programs over time.

# 1990



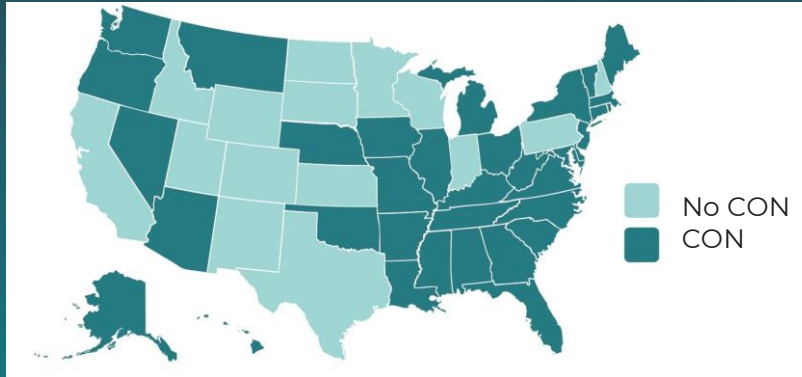
As the Federal mandate came and went, there has been quite a bit of variation in CON programs over time.

2000



As the Federal mandate came and went, there has been quite a bit of variation in CON programs over time.

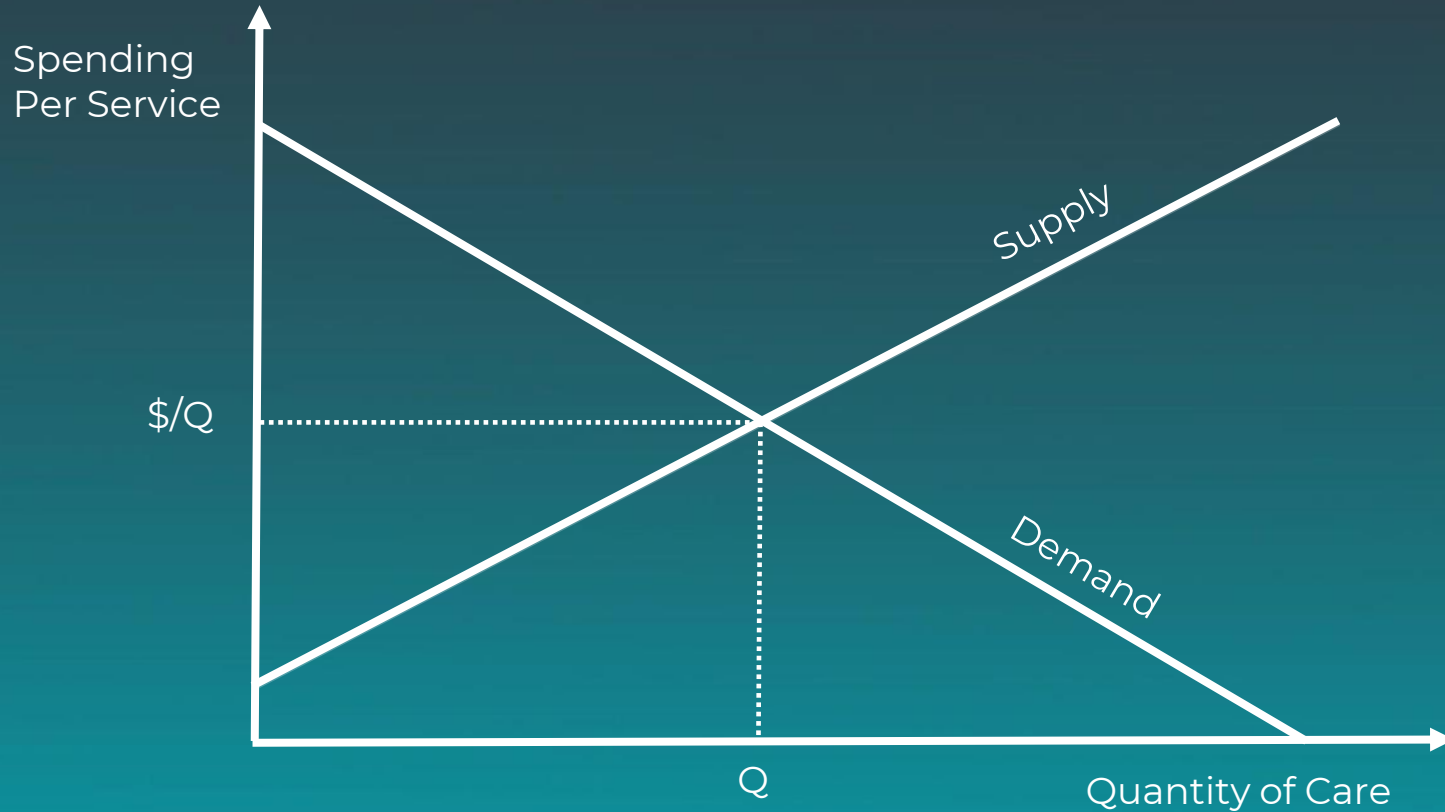
# 2015

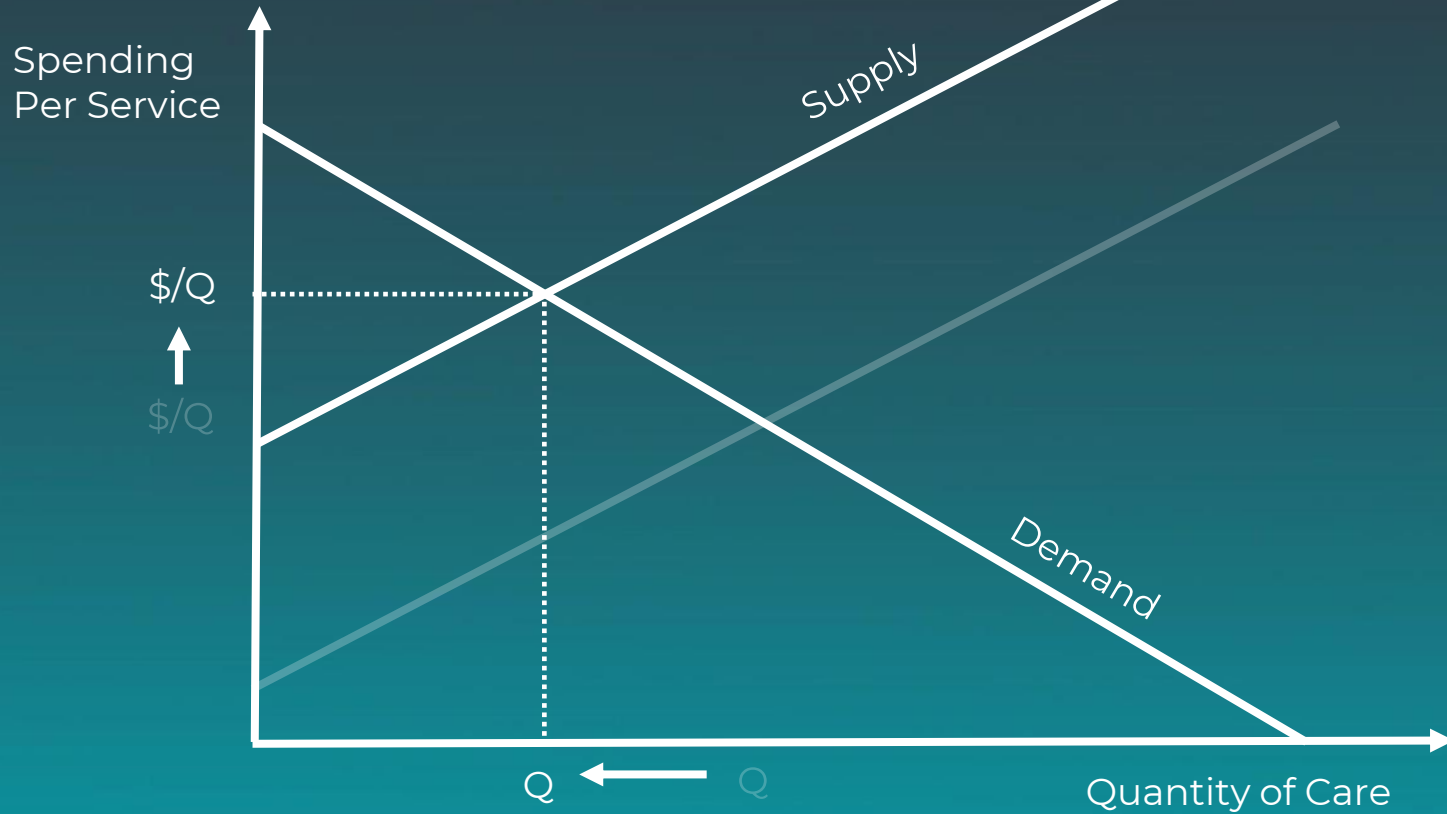


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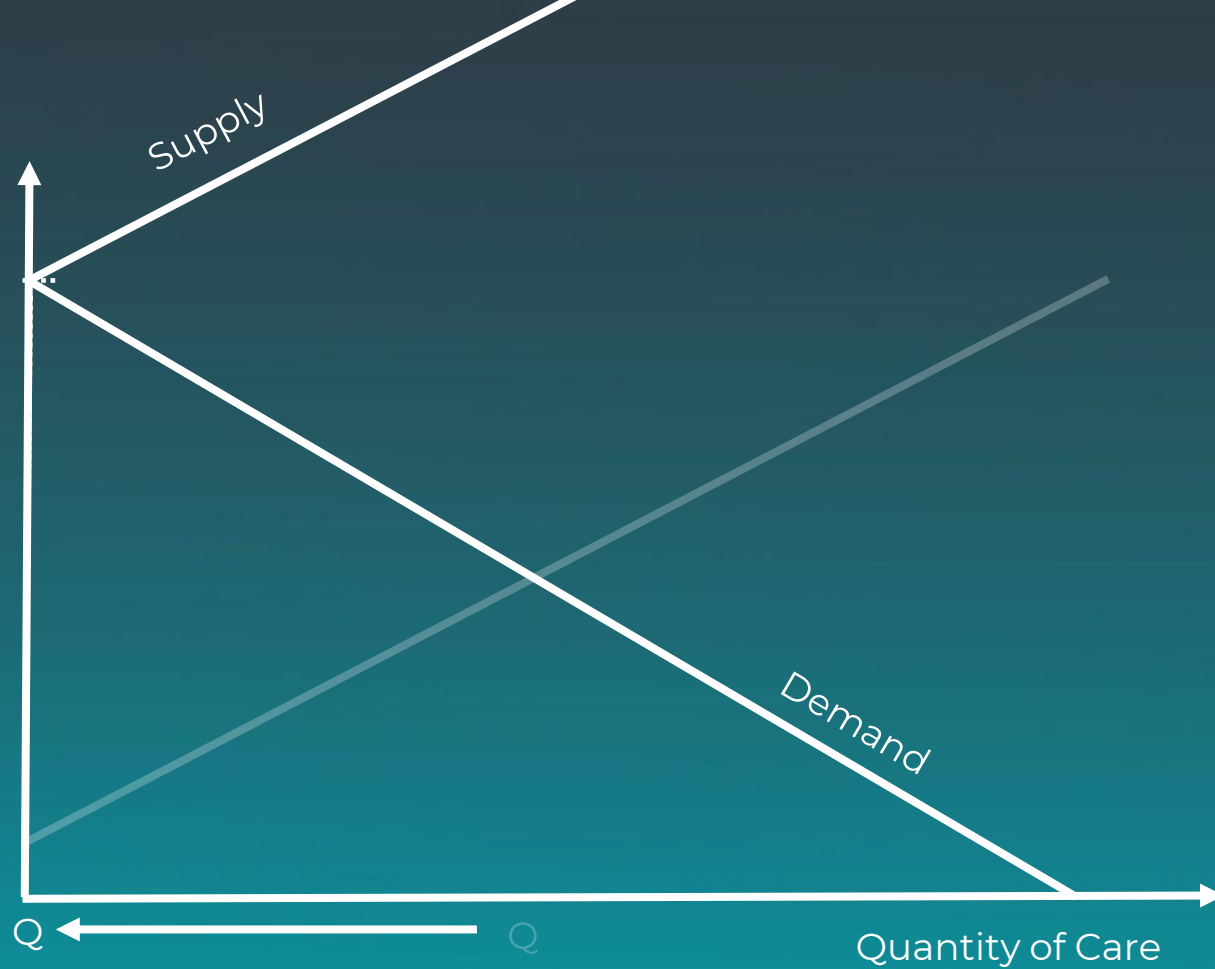


# The Economics of CON





Spending  
Per Service



Spending  
Per Service

$\$/Q$



$\$/Q$

Supply

Demand

$Q$



$Q$

Quantity of Care

Spending per service is likely  
to go up

Though total spending might  
be restrained through  
rationing

Patients are likely to get less  
care

Quality of care usually suffers  
with less competition







# 93

Peer-reviewed studies

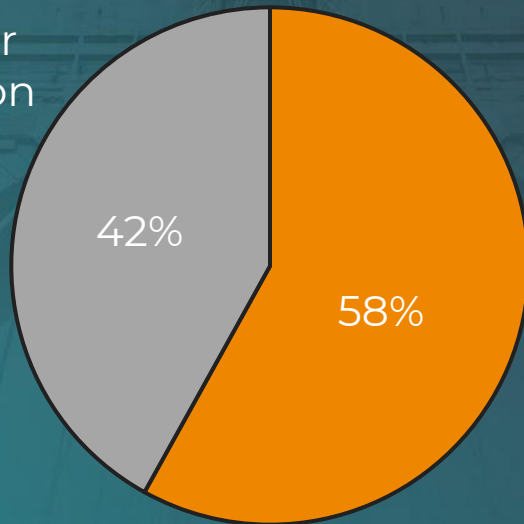


Spending  
Access  
Quality



# Spending

Studies with mixed or inconclusive results on the effect of CON on spending: 13



Studies finding CON increases spending: 18

# Spending

Studies that find clear evidence CON reduces spending per service or per person:

0

# Spending

- ❑ Reimbursements for coronary artery bypass fell 2.8 - 8.8% following repeal.
- ❑ Medicare reimbursements for total knee arthroplasty are 5 - 10% lower in CON states.
- ❑ Spinal surgery reimbursements have fallen faster in non-CON states.
- ❑ Hospital charges are 5.5% lower 5 years after repeal.
- ❑ Medicaid community-based care expenditures per capita are lower in non-CON states.
- ❑ Hospital expenditures per adjusted admission are lower in non-CON states.
- ❑ States that eliminate CON experience 5 percent reduction in real per capital health spending.

# Spending

- ❑ CON has no relation to Medicaid nursing home reimbursement rates.
- ❑ CON has no relation to per diem Medicaid nursing home charges
- ❑ CON has no relation to per diem Medicaid long-term care charges.

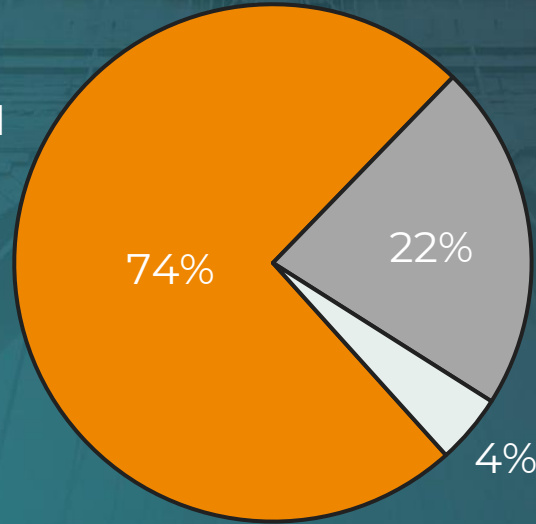


Spending  
Access  
Quality



# Access to and Volume of Care

Studies finding CON reduces access or volume of care: 34



Studies with mixed or inconclusive results on the effect of CON on access or volume: 10

Studies finding CON leads to a higher volume of certain procedures: 2

# Access to and Volume of Care

Patients in CON states have access to:

- ❑ 30% fewer hospitals
- ❑ 14% fewer ambulatory surgery centers
- ❑ 30% fewer *rural* hospitals
- ❑ 13% fewer *rural* ambulatory surgery centers
- ❑ Fewer hospice care facilities
- ❑ Fewer dialysis clinics
- ❑ Fewer cancer treatment facilities
- ❑ Fewer home health agencies
- ❑ Fewer psychiatric care facilities
- ❑ Fewer drug and substance abuse centers
- ❑ Fewer open-heart surgery programs
- ❑ Fewer medical imaging devices
- ❑ Fewer hospital beds (and hospitals in CON states were 27% more likely to run out of beds during COVID)

# Access to and Volume of Care

Patients in CON states:

- ❑ Travel longer for care
- ❑ Wait longer for care
- ❑ Are more likely to leave their states for care

CON programs::

- ❑ Have no statistically significant effect on charity care
- ❑ Exacerbate Black-White disparities in the provision of care (those disparities disappear following repeal)

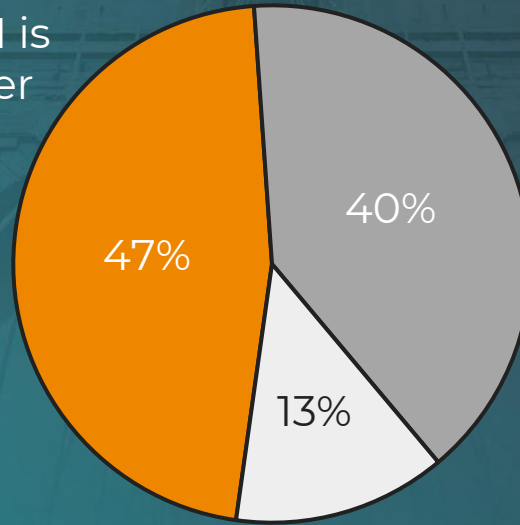




Spending  
Access  
Quality

# Quality of Care

Studies finding CON is associated with lower quality of care: 14



Studies with mixed or inconclusive results on the effect of CON on quality of care: 12

Studies finding CON is associated with higher quality of care: 4

# Quality of Care

Patients in CON states:

- ❑ Experience higher mortality rates following heart attack, heart failure, and pneumonia
- ❑ Have higher readmission rates following heart attack and heart failure
- ❑ Have higher readmission rates from home health agencies
- ❑ Experience more post-surgery complications
- ❑ Are less likely to give hospitals top ratings
- ❑ Are more likely to be physically restrained in nursing homes
- ❑ Are more likely to be placed in low-scoring nursing homes
- ❑ Are more likely to use low-scoring home health agencies
- ❑ Are more likely to be operated on by lower-quality surgeons



Spending  
Access  
Quality





Spending 0 evidence it reduces spending

Access 74% of studies suggest it reduces access

Quality 4x as many studies find it reduces quality than that it enhances quality



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